



CONTINUING RELIABLE EARNINGS GENERATION

Commerzbank – German Investment Seminar 2010

New York, 13 January 2010

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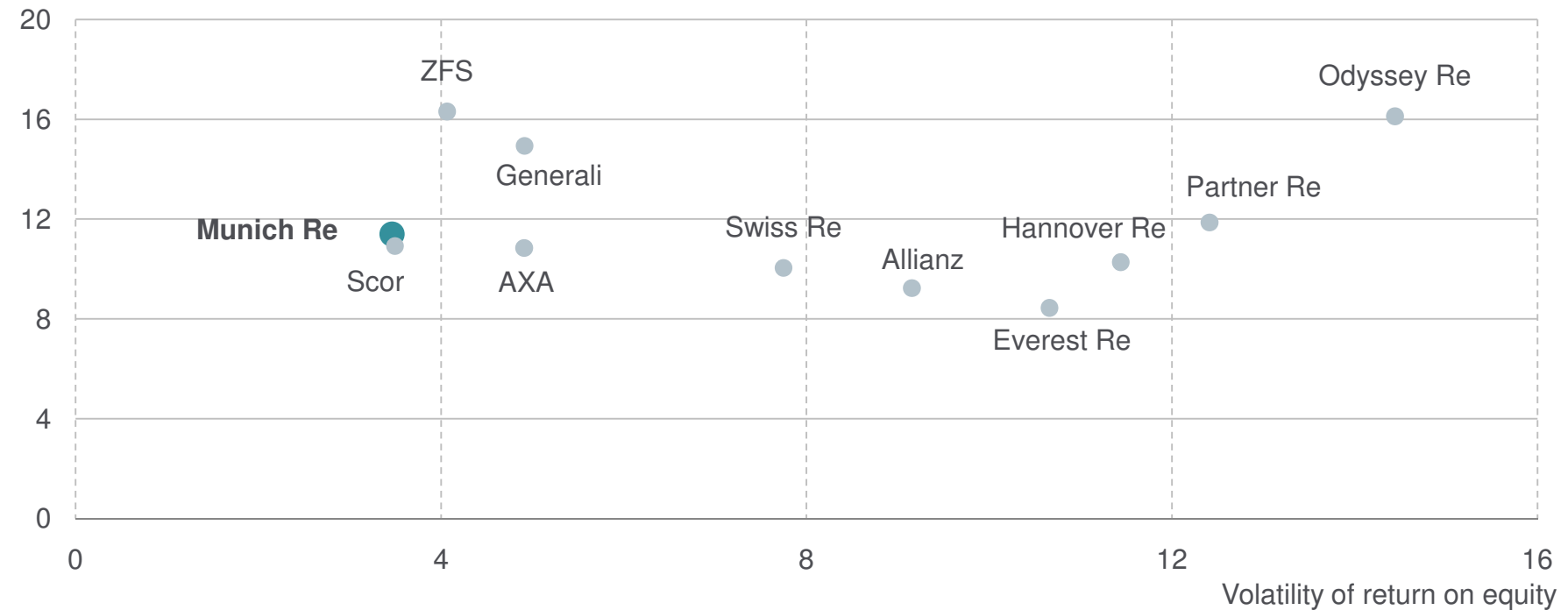
Munich RE 



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Return on equity and volatility

Return on equity (5yr average)

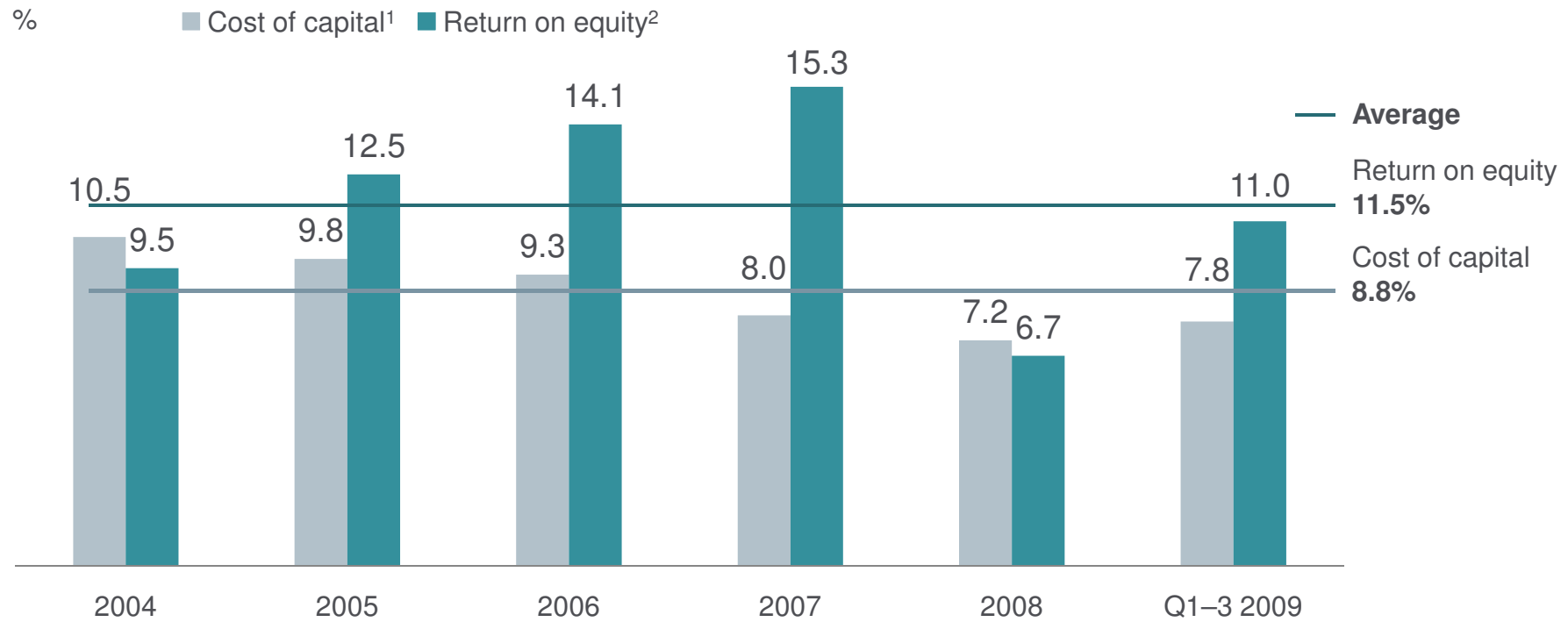


Munich Re offers a unique investment proposition based on a business model largely uncorrelated with global GDP and the development of the equity markets

¹ FYE 2004–2008. Volatility measured by standard deviation. Source: Bloomberg.

Clear-cut liability-driven business model leads to low cost of capital

Return on equity vs. cost of capital



Munich Re delivering reliable returns through the cycle – well above cost of capital

¹ Not reflective of internal investment criteria; calculation using CAPM with 10-year German government bonds, 5% market risk premium and 1-year raw beta to DJ Stoxx600, daily basis. Source: Bloomberg.

² Annualised return on equity for Q1-3 2009.

Continued good results trend



Munich Re (Group)

Net profit of €1,789m in Q1–3 2009 (RoRaC 14%)¹

Resilient underwriting and good investment result

Shareholders' equity increased to €22.8bn

Capital strength allows consistent pursuit of strategy and resumption of share buy-back

Maintaining low-risk investment profile

Stringent capital allocation to core business with disciplined investment approach

Reinsurance

Good underwriting performance

Strong position transformed into growth while exploiting market opportunities, benign NatCat season and limited recession-induced claims

Primary insurance

Persistently pursuing our strategy

Stringent execution of efficiency programme while positive operating trend in life and non-life business prevails

¹ Return on equity 11.0%; Q1–3 2008: RoRaC 9.0%, return on equity 8.2%.

Strong operating performance



GROUP Gross premiums written		REINSURANCE Combined ratio property-casualty		PRIMARY INSURANCE Combined ratio property-casualty	
€m		%		%	
Q1–3 2008	28,123	Q1–3 2008	100.1	Q1–3 2008	90.0
Q1–3 2009	31,048	Q1–3 2009	96.3	Q1–3 2009	94.2
Strong growth due to large deals in reinsurance and acquisitions		Good combined ratio (93.4% in Q3) also due to low NatCat		Pleasingly within target of 95% – Q1–3 2008 not comparable	
GROUP Investment result		GROUP Operating result		GROUP Consolidated result	
€m		€m		€m	
Q1–3 2008	3,923	Q1–3 2008	2,654	Q1–3 2008	1,407
Q1–3 2009	5,788	Q1–3 2009	3,318	Q1–3 2009	1,789
Increase driven by recovering capital markets		Higher investment result and good technical performance		Consolidated result €651m in Q3 impacted by non-recurring tax	



Sustainable value creation

Solvency II – The next revolution in insurance

Integrated business model

Summary and outlook

Solvency II motivates the insurance industry to fully adopt stringent risk-based economic steering



3 pillars of Solvency II

1 Quantitative

Solvency requirements

Standard approach or internal model

2 Qualitative

Supervisory process

Efficient risk management and control

3 Transparency

Market transparency

Disclosure requirements to strengthen market discipline

Enterprise risk management to replace the traditional accounting-based focus, facilitating a stringent economic and holistic approach to managing risks

Changes compared to Solvency I

- Principle-based (in contrast to Solvency I rules)
- Economic and market-consistent valuation of all material risks
- Reinsurance and other risk mitigation instruments fully applicable under Solvency II (no more 50% cap on non-life reinsurance)
- Some issues remain, especially with regard to non-proportional reinsurance
- Consideration of diversification effects
- Investment risks are comprehensively taken into account

In the past, success was measured by combined ratio and investment income – in the future, the focus will be on return on risk capital

Solvency II brings more discipline to the insurance industry

Solvency II acts as a catalyst ...



... to resolve some old industry issues

Example: Primary life insurance

- Issue: Long-term guarantees and options often not properly priced and hedged
- Solvency II: Requires capital for mismatch; demonstrates where return is insufficient for risk taken
- Solution: Improve ALM, product design

Example: Reinsurance

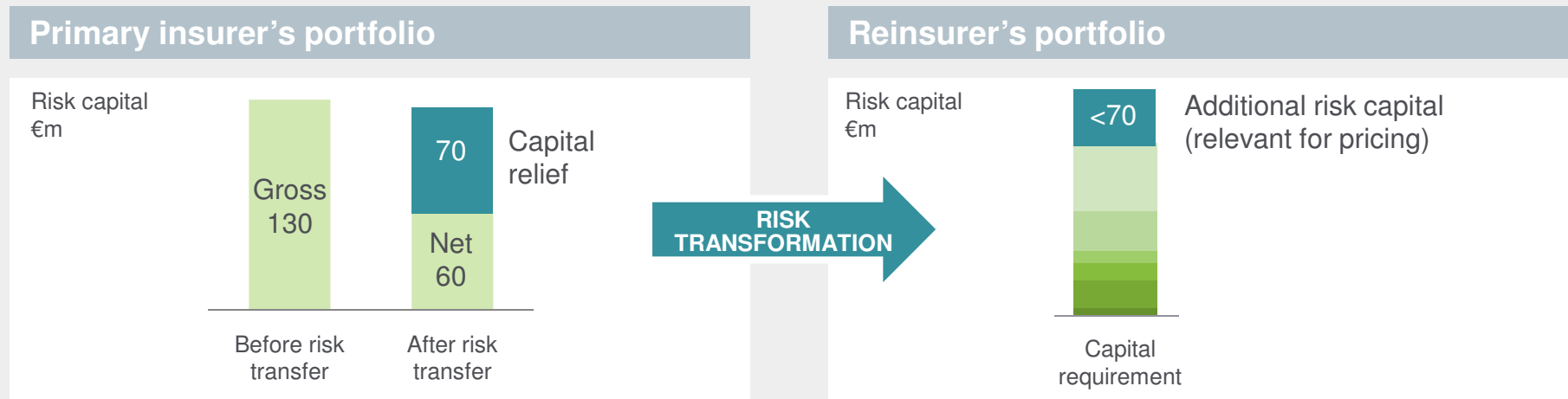
- Issue: Reinsurance programmes not always optimal in terms of risk transfer
- Solvency II: Reinsurance is taken into account in capital requirements
- Solution: Impact of reinsurance structures can be measured and optimised

Example: Investments

- Issue: Insufficient profitability of underwriting compensated by taking high investment risks
- Solvency II: Risk capacity places limit on this strategy
- Solution: Focus on profitable underwriting

Well-diversified reinsurers will benefit from Solvency II, and cedants can improve their risk-adjusted return

Illustrative



Usually, diversification of reinsurers is higher than diversification of insurers due to

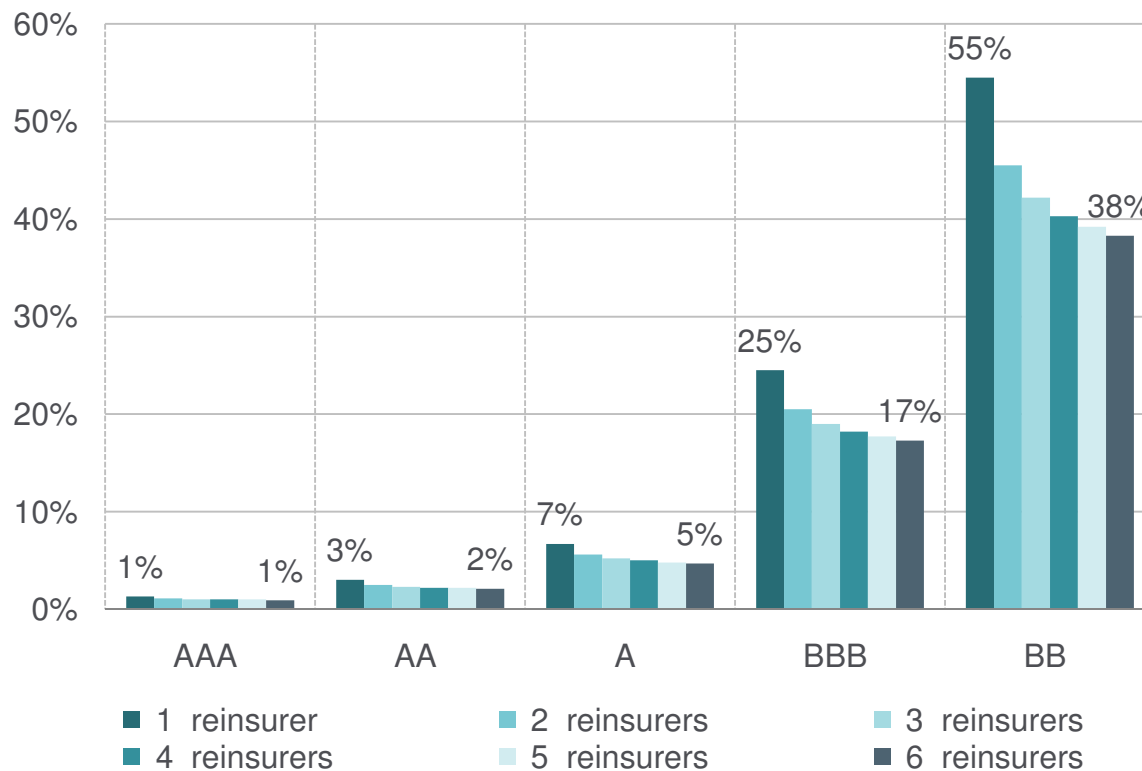
- Number of individual risks
- Geographical spread (global business model)
- Product and line of business mix

Capital relief for insurer exceeds capital requirement of reinsurer

Clear win-win situation, not a zero-sum game

Strong capital base provides a clear competitive edge – Reinsurers’ rating the decisive factor

Deduction on capital relief for the counterparty default risk¹



Impact of rating vs. number of reinsurers

- Explicit consideration of reinsurance credit risk through a deduction from capital relief
- Example: Capital relief from a reinsurance treaty with only one AA-rated reinsurer is greater than with a panel of six A-rated reinsurers

Financial strength of reinsurers more important than diversification by number of counterparties

¹ Graph based on Consultation Paper No. 51: SCR standard formula – further advice on the counterparty default risk module A.9.



Sustainable value creation

Solvency II – The next revolution in insurance

Integrated business model

Summary and outlook

Covering the full value chain of insurance – Providing the best solution for each risk



Munich Re Group

RISK MANAGEMENT

Clear-cut comprehensive risk management framework with proven track record in crisis

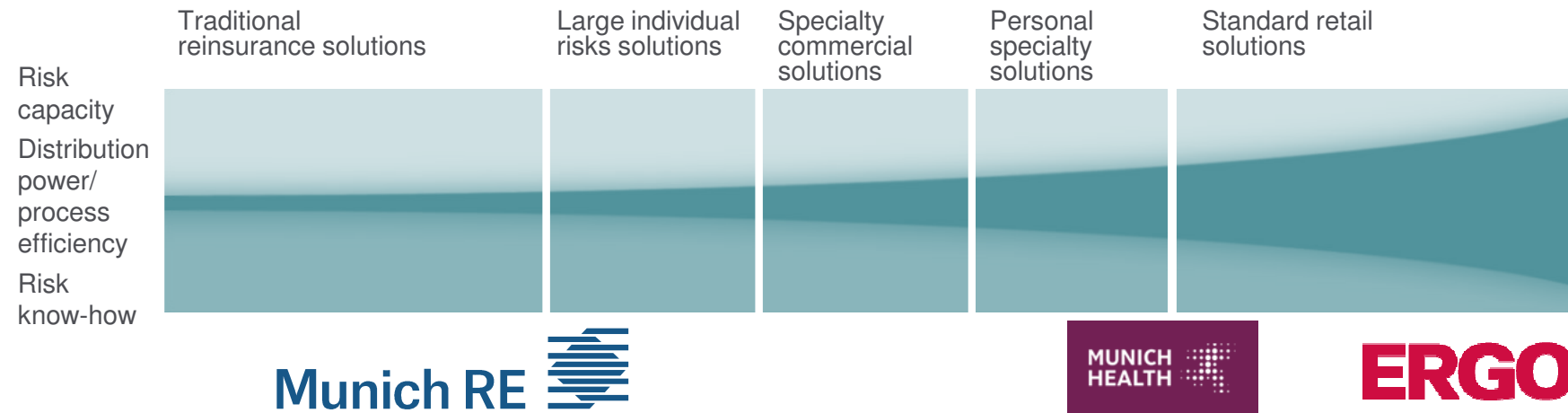
INVESTMENTS

Focus on low-risk profile while selectively taking opportunities in fixed-income portfolio

CAPITAL MANAGEMENT

Strategic flexibility to efficiently combine options of capital allocation

Successful business model [illustrative]



Financial strength and sustainable long-term strategy focusing on underwriting risks: continuing a solid path in the “new normal”

ERGO fosters profitable growth with new brand strategy



Align business closer to customer demands

- Short-term trigger: After insolvency of Arcandor, rebranding of KarstadtQuelle Insurance as ERGO Direct Insurance a logical consequence
- Long-term trend: Customers use more than one sales channel to buy insurance

ERGO's response: Strengthen sales power

- Combination of advice-driven distribution approach with direct sales channel under one strong brand harmonising the domestic and international brand strategy
 - Life and non-life products in Germany to be sold under the ERGO brand (Victoria and HM to be withdrawn)
 - ERGO to continue to hold brands of specialist insurers D.A.S., DKV and ERV

ERGO Germany 2010

Direct	Life	P-C	Health	Legal expenses	Travel

Next steps – Change and continuity

- Only one active risk carrier per segment facilitating a leaner ERGO structure
- ERGO deliberately not making any changes to well-established sales force structures – separate sales organisations with complementary strengths
- ERGO Direct Insurance to start in Q1 2010; other companies to follow later in 2010

ERGO well positioned throughout all segments – Cost-reduction initiatives well under way



Life	<ul style="list-style-type: none">▪ Economic crisis puts pressure on growth and margins▪ Implementation of strategic initiatives well under way
Health	<ul style="list-style-type: none">▪ A market leader in Germany; low capital intensity▪ Political intervention may affect future developments
Property-casualty	<ul style="list-style-type: none">▪ Excellent profitability despite highly competitive market environment▪ Combined ratio consistently well below 95% due to focus on attractive business lines, as well as superior underwriting and claims management
Direct insurance	<ul style="list-style-type: none">▪ Leading direct insurer in Germany with more than four million customers▪ Ongoing growth in life, health and property-casualty
International operations	<ul style="list-style-type: none">▪ Strong growth¹, negatively affected by recent FX development in non-euro-denominated countries▪ International expansion focused on CEE and Asia
Cost reduction	<ul style="list-style-type: none">▪ Simplification, harmonisation and continuous improvement of processes lead to reduction of expense ratios▪ Project to deliver €180m cost savings by 2010 on course

¹ Organic growth in Poland; acquisitions of BACAV and Europäische Reiseversicherung.

Changing reinsurance market environment imposes challenges and opportunities



Market trends

Increasing capital strength and risk management capabilities

Differential terms for reinsurers with strong ratings and know-how

Demand for flexible balance sheet solutions and capital optimisation

Increasing complexity of known risks

Demand for expertise and capacity for new risks

Competitor trends

Revival of technical underwriting and de-risking of asset side

Professionalisation of brokers and emergence of focused competitors

International expansion of regional competitors

Combination of reinsurance and primary insurance activities

Revival of capital market solutions

New global brand



Refined strategic positioning

Munich Re to offer solutions beyond traditional reinsurance



New global brand



The three cornerstones of Munich Re's refined positioning

A high level of security and individual solutions

- Efficient reinsurance of standard risks
- Customised solutions for risk and balance-sheet management
- Consulting on Solvency II/ALM, enterprise risk management
- Risk transfer to capital markets

(Re)insurance of complex and new risks

- Expanding the limits of insurability by developing new coverage concepts
- First-class modelling
- Investing substantially in actuarial and underwriting skills

Tapping into new client groups

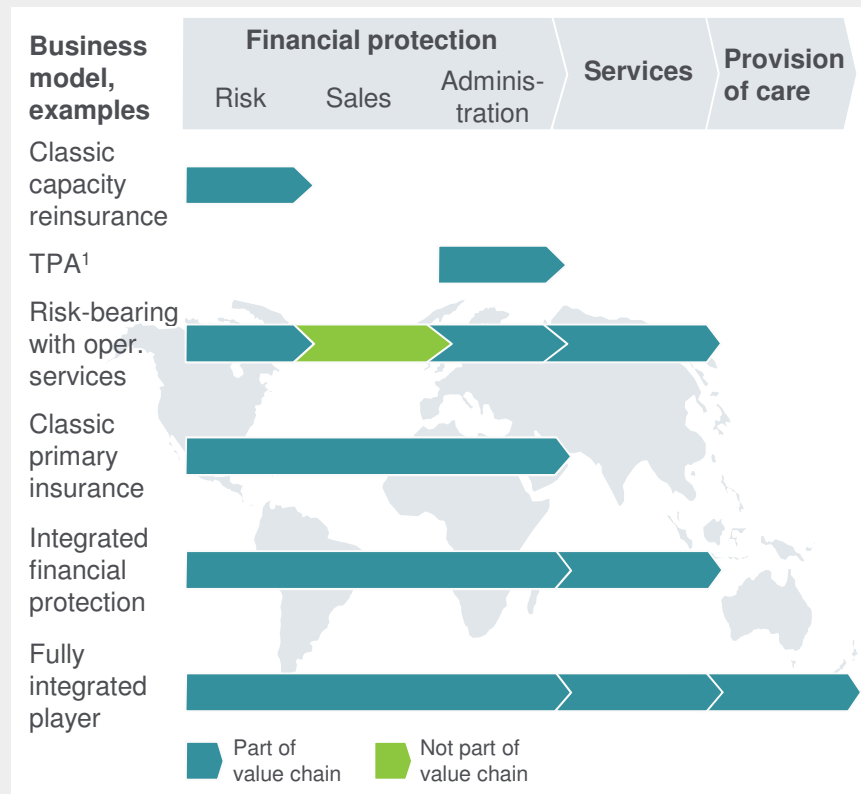
- Highly specialised primary insurance niche business; cooperation with MGAs
- Public-private partnerships
- Insurance pools

Clear positioning as a comprehensive service reinsurer

Munich Health – Flexible roll-out of different business models meets regional demand on a global basis



Munich Health covering the full value chain



Continued positive business development

Despite the financial crisis, continued but slower **growth of health expenditures** expected; more cooperations with public providers possible

Private health provisions by consumers **mostly stable**; health seen as valuable asset

Classic primary insurance business: **Predominantly group business negatively affected by growth decline**

Classic reinsurance business: Positive effects triggered by **increased need for capital and liquidity of primary insurers**

Munich Health perfectly complements Munich Re’s integrated business model with growth potential

¹ Third-party administrator.



Sustainable value creation

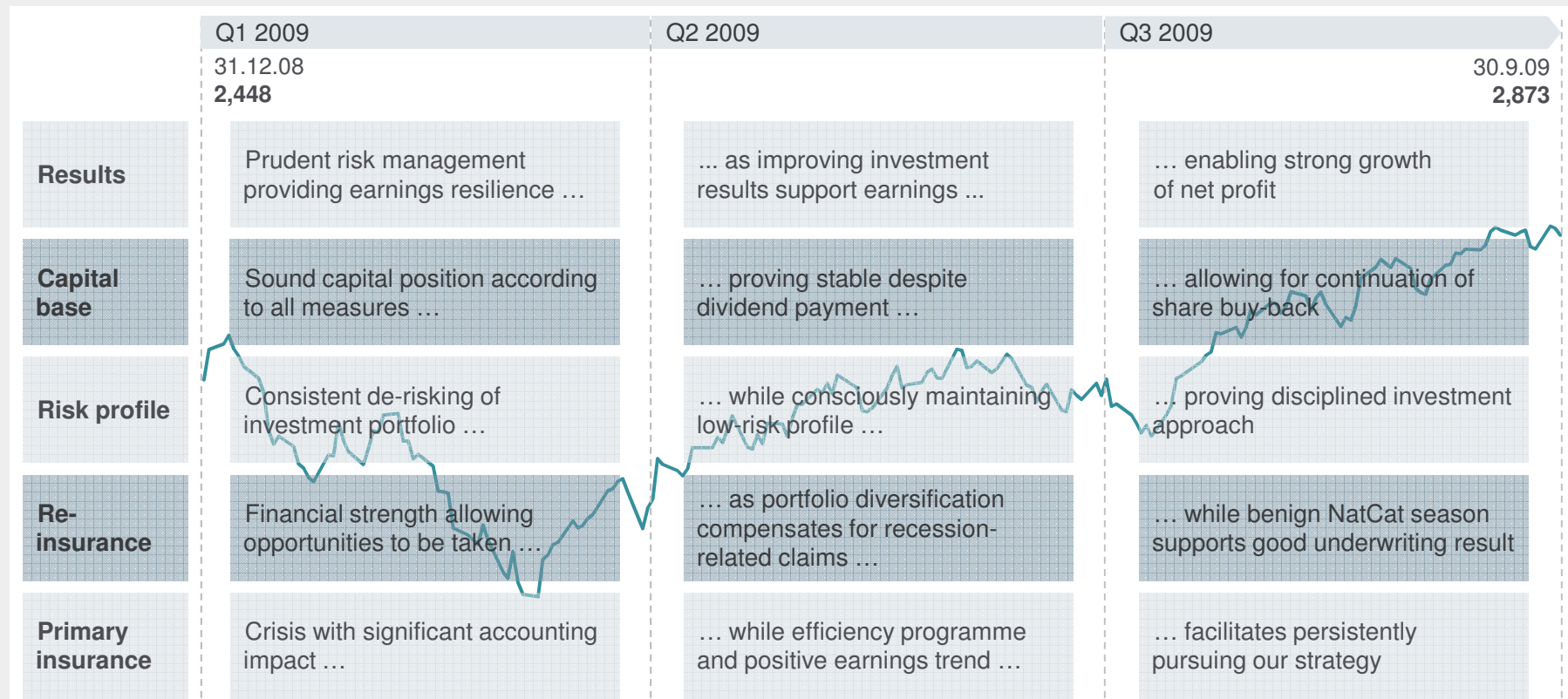
Solvency II – The next revolution in insurance

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Summary and outlook

Earnings resilience through the crisis – Well positioned to seize opportunities going forward

EuroStoxx 50 since 1 January 2009



Healthy balance sheet provides strong basis for exploiting market opportunities and predictability of earnings

Clear focus on reliable earnings generation



Outlook 2009

GROSS PREMIUMS WRITTEN
€40–42bn¹

COMBINED RATIO
Reinsurance approx. 97%

RETURN ON INVESTMENTS
RoI expected to be slightly above **4%**

CONSOLIDATED RESULT
€2.2–2.5bn²

COMBINED RATIO
Primary insurance <95%

SHARE BUY-BACK
Up to €1bn by AGM 2010

Indication 2010

RETURN ON INVESTMENTS
Based on the strategic decision to maintain a low-risk portfolio and given a low interest rate environment, RoI expected to be noticeably **below 4%** in 2010



RORAC
Even though more ambitious, target of achieving **15% after tax over the cycle to stand**, while lower impact of volatile investment results expected to further increase sustainability of earnings

¹ Thereof €24–25bn in reinsurance and €17–17.5bn in primary insurance (both on basis of segmental figures).
² Thereof €2.3–2.5bn in reinsurance and €0.2–0.4bn in primary insurance (both on basis of segmental figures).



FINANCIAL CALENDAR

2 February 2010	Preliminary figures 2009 and renewals
10 March 2010	Balance sheet press conference for 2009 financial statements
11 March 2010	Analysts' conference
28 April 2010	Annual General Meeting
29 April 2010	Dividend payment
7 May 2010	Interim report as at 31 March 2010
4 August 2010	Interim report as at 30 June 2010; half-year press conference
9 November 2010	Interim report as at 30 September 2010

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This presentation contains forward-looking statements that are based on current assumptions and forecasts of the management of Munich Re. Known and unknown risks, uncertainties and other factors could lead to material differences between the forward-looking statements given here and the actual development, in particular the results, financial situation and performance of our Company. The Company assumes no liability to update these forward-looking statements or to conform them to future events or developments.

Note regarding the presentation of the previous year's figures

- For the new reporting format in connection with the first-time application of IFRS 8 “Operating Segments” as at 1 January 2009, several prior-year figures have been adjusted in the income statement.
- For the sake of better comprehensibility and readability, we have refrained from adding the footnote “Previous year’s figures adjusted owing to first-time application of IFRS 8” to every slide.
- For details and background information on IFRS 8, please read the presentation “How does Munich Re apply the accounting standard IFRS 8 ‘Operating Segments’?” on Munich Re’s website (http://www.munichre.com/de/ir/contact_and_service/faq/default.aspx).
- On 30 September 2008, through its subsidiary ERGO Austria International AG, Munich Re increased its stake in Bank Austria Creditanstalt Versicherung AG (BACAV) and included it in the consolidated group. The figures disclosed at the time of first consolidation were of a provisional nature. Therefore, several previous year figures have been adjusted in order to complete the initial accounting for a business combination (IFRS 3.62).